

EX PARTE OR LATE FILED

ORIGINAL



Joan Marsh
Director
AT&T Federal Government Affairs

Suite 1000
1120 20th St. NW
Washington, DC 20036
202 457-3120
FAX 202 457-3110

August 9, 1999

RECEIVED

AUG 9 1999

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 Twelfth Street, SW, Room TWB-204
Washington, DC 20554

Re: Notice of Written Ex Parte
In the Matter of Applications for Consent to the Transfer of Control of
Licenses and Section 214 Authorizations from Ameritech Corporation,
Transferor, to SBC Communications, Inc., Transferee,
CC Docket No. 98-141

Dear Ms. Salas:

Pursuant to Staff's request, enclosed please find AT&T's revisions to the proposed merger conditions submitted by SBC/Ameritech on July 1. For Staff's convenience, we are providing both a red-lined version of the document, which reflects the AT&T-proposed changes to the SBC/Ameritech document, as well as a copy of the document reflecting AT&T's proposed language in final form.

Two copies of this Notice are being submitted to the Secretary of the FCC in accordance with Section 1.1206 of the Commission's rules.

Sincerely,

A handwritten signature in black ink, appearing to be "Joan Marsh", written over a horizontal line.

Joan Marsh

Attachments

cc: R. Atkinson M. Carey
T. Krattenmaker J. Jennings
W. Dever D. Shiman

No. of Copies rec'd
List ABCDE

0+1

APPENDIX A
PROPOSED CONDITIONS TO FCC ORDER APPROVING
SBC/AMERITECH MERGER

As a condition of exercising the grant authorized herein, SBC and Ameritech shall comply with the following enumerated Conditions. For the purposes of these Conditions, the term "Merger Closing Date" means the day on which, pursuant to their Merger Agreement, SBC and Ameritech cause a Certificate of Merger to be executed, acknowledged, and filed with the Secretary of State of Delaware as provided in Section 251 of the Delaware General Corporation Law, as amended. The conditions described herein shall be null and void if SBC and Ameritech do not merge and there is no Merger Closing Date.

I. Performance Measurements and Enforcement

1. SBC/Ameritech agree to comply with any order, rules or regulations issued in CC Docket No. 98-56 by the Federal Communications Commission ("the Commission"), and any orders, rules or regulations issued by the state commissions in its 13-State service area relating to performance of Operations Support Systems and Functions, including procedures for enforcement and penalties for violations. This condition shall cease to be effective if, when and only to the extent a court issues a final order (including all rehearings and appeals) modifying such Commission or state commission order.

2. At the request of any CLEC, SBC/Ameritech will negotiate amendments to any or all of the interconnection agreements in any or all of its states to reflect the terms of any orders, rules or regulations issued by any other state in SBC/Ameritech's 13-State service area.

II. Collocation Compliance Plan

3. In the 13-State service area where its subsidiaries operate as incumbent LECs ("the SBC/Ameritech States"), SBC/Ameritech shall provide collocation consistent with governing Commission rules, including the Commission's First Report and Order in CC Docket No. 98-147, FCC No. 99-48 (released March 31, 1999) ("Collocation and Advanced Services Order").

4. Prior to the Merger Closing Date, SBC and Ameritech shall, in each of the SBC/Ameritech States, have filed a collocation tariff and/or offered amendments containing standard terms and conditions for collocation, for inclusion in interconnection agreements under 47 U.S.C. § 252. Such tariffs and/or amendments shall contain all terms and conditions necessary to bring SBC/Ameritech's provision of collocation into compliance with the Commission's governing rules.

5. Prior to the Merger Closing Date, SBC/Ameritech shall obtain the approval of each state commission that the revised tariffs and/or amendments to interconnection agreements filed in the state pursuant to Paragraph 4 comply with the Commission's Rules on collocation. Any interested party shall be permitted to request the Commission to resolve disputes about SBC/Ameritech's compliance with the Commission's Rules on collocation. If a party requests

the Commission to decide such a dispute under its Accelerated Docket, 47 C.F.R. § 1.730, SBC/Ameritech shall support the use of these expedited procedures to resolve any such disputes. A Commission resolution of the dispute shall not be a precondition to the closing of the merger, but SBC/Ameritech agree to comply with such Commission resolution unless reversed by a final and nonappealable court order.

6. Prior to the Merger Closing Date, Ameritech and SBC shall propose an independent auditor to verify SBC/Ameritech's compliance with the Commission's collocation requirements for the first 8 months after the Merger Closing Date. The independent auditor shall be approved by the Commission, and may not have been a former or current employee, officer, director, consultant or other agent or independent contractor of SBC/Ameritech. If SBC/Ameritech do not propose an acceptable auditor, the Commission shall select one. SBC/Ameritech shall engage the auditor within 15 days of the Commission's written acceptance or designation (if no acceptable auditor is proposed) of the proposed auditor. The independent auditor's report shall be prepared and submitted as follows:

a. Prior to the Merger Closing Date, SBC/Ameritech shall submit preliminary audit requirements, including the proposed scope of the audit and the extent of compliance and substantive testing, to the Commission's Audit Staff ("Audit Staff") and for public comment. The Commission shall have authority to modify the preliminary audit requirements, based on a review of the plan and the comments received by the public. After such review and after making modifications necessary for the public interest, the Commission shall issue a written order approving the preliminary audit requirements.

b. During the course of the audit, the independent auditor shall obtain the approval of the Audit Staff before modifying the audit program and shall notify the Audit Staff of any meetings with SBC/Ameritech. The Audit Staff shall be authorized to participate in any aspect of the audit. The independent auditors shall not have authority to resolve or interpret the Commission's collocation Rules, and shall not issue an opinion on whether SBC/Ameritech have complied with those rules.

c. The independent auditor shall have access to books, records, and operations of SBC/Ameritech that are necessary to fulfill the audit requirements of this Section. The independent auditor shall notify SBC/Ameritech's compliance officer of any inability to obtain such access. The auditor shall notify the Audit Staff if access is not timely provided after notification to the compliance officer.

d. In verifying SBC/Ameritech's compliance with the Commission's collocation requirements, the independent auditor shall initiate contacts with the Commission, state commissions, and SBC/Ameritech's wholesale customers. The independent auditor shall receive written comment and/or data from the Commission, state commissions, or SBC/Ameritech's wholesale customers regarding SBC/Ameritech's compliance with the Commission's Rules on collocation.

e. Not later than 10 months after the Merger Closing Date, the independent auditor shall submit its final audit report to the Commission's Audit Staff. A copy of the report

shall be publicly filed with the Secretary of the Commission. Within 30 days after the audit is filed publicly, any interested party shall be permitted to comment upon any aspect of the audit, including its scope, procedures, findings, and remedies for any noncompliance. If the audit determines that SBC/Ameritech have failed to comply with the Commission's Rules on collocation, or if the Commission, after its own review of the audit and public comments on it, determines that SBC/Ameritech have failed to comply with the Commission's Rules on collocation, the Commission may invoke any enforcement mechanism and remedy permitted by law against SBC/Ameritech. Any party alleging harm as a result of SBC/Ameritech's failure to comply with the Commission's Rules on collocation may institute a proceeding under the Commission's Accelerated Docket, 47 C.F.R. § 1.730, and SBC/Ameritech shall support the use of such procedures.

f. The independent auditor's section of the audit report shall include a discussion of the scope of the work conducted; a detailed statement regarding SBC/Ameritech's compliance or non-compliance with the Commission's collocation rules; a detailed statement regarding the sufficiency of SBC/Ameritech's methods, procedures, and internal controls for compliance with the Commission's collocation rules; and a description of any limitations imposed on the auditor in the course of its review by SBC/Ameritech or other circumstances that might affect the auditor's opinion.

g. For 2 years following submission of the final audit report, the Commission shall have access to the working papers and supporting materials of the independent auditor at a location in Washington, D.C. that is selected by SBC/Ameritech and the independent auditor and approved by the Commission. Any copies made by the Commission or by interested parties shall be returned to SBC/Ameritech. The Commission's review of the working papers and supporting materials shall be kept confidential pursuant to the Commission's rules and procedures. Any interested party may obtain copies of the workpapers and supporting materials under a protective order that the Commission determines is appropriate. The supporting materials and workpapers may be relied upon by interested parties in any proceeding before the Commission.

7. The audit required by this Section shall be in lieu of any other audit of SBC/Ameritech's compliance with the Commission's collocation requirements during the first 12 months after the Merger Closing Date that otherwise would be required under the Commission's rules.

III. OSS: Enhancements

8. Within 12 months after the Merger Closing Date, SBC/Ameritech shall deploy uniform interfaces in the SBC/Ameritech States, unless SBC/Ameritech is requested to extend the schedule and a majority of the CLECs who participate in the collaborative described below agree to an extension. SBC/Ameritech understands that the term "uniform interfaces" encompasses uniform specifications, uniform business rules and uniform operation of the interface as viewed from the perspective of the interfacing CLEC.

9. Milestones applicable to the development and deployment of uniform application-to-application interfaces and graphical user interfaces are as follows:

a. Phase 1 - In advance of the Merger Closing Date, SBC/Ameritech shall complete a publicly available Plan of Record (which shall consist of an overall assessment of SBC's and Ameritech's existing OSS interfaces, business processes and rules, hardware capabilities, data capabilities, and differences, and SBC's and Ameritech's plan for developing and deploying uniform application-to-application interfaces and graphical user interfaces for OSS) that shall be approved by this Commission.

b. Phase 2 - SBC/Ameritech shall work collaboratively with CLECs operating in the SBC/Ameritech States, in a series of workshops, to obtain written agreement on OSS interfaces, enhancements, and business requirements identified in the Plan of Record. Phase 2 shall be conducted under the auspices of the FCC and shall be completed in a total of 3 months unless a majority of the participating CLECs mutually agree to an extension of this phase. If the CLECs and SBC/Ameritech have not reached agreement after one month of collaborative sessions with FCC staff (unless there is a mutually agreeable extension), the parties shall prepare a list of the unresolved issues in dispute and submit the remaining unresolved issues in dispute to consolidated binding arbitration. The parties must submit the unresolved issues to binding arbitration no later than one week after the conclusion of the collaborative sessions (unless there is a mutually agreeable extension). Any such consolidated binding arbitration shall be conducted before an independent third party arbitrator in consultation with subject matter experts selected from a list of three firms supplied by SBC/Ameritech and three firms supplied by the CLECs. This arbitration shall be concluded within 7 weeks of submission of the unresolved issues (unless there is a mutually agreeable extension).

c. Phase 3 - SBC/Ameritech shall develop and deploy, on a phased-in approach, the system interfaces, enhancements and business requirements consistent with the written agreement obtained in Phase 2. The date for completion of Phase 3 is 12 months after completion of Phase 2, unless a majority of the CLECs participating in Phase 2 agree to an extension. The completion date shall begin to run after the completion of the written agreement in Phase 2, or the effective date of a final decision by the arbitrator in Phase 2, whichever is later. SBC/Ameritech shall pay \$100,000 per day in fines and penalties for failure to meet the target date. If one or more CLECs contend that SBC/Ameritech has not developed and deployed the system interfaces, enhancements, and business requirements consistent with the written agreement obtained in Phase 2, or has not complied with the arbitrator's decision received in Phase 2, they may submit the contested issues to binding arbitration. Any such consolidated binding arbitration shall be conducted before an independent third party arbitrator in consultation with subject matter experts selected from a list of three firms supplied by SBC/Ameritech and three firms supplied by the CLECs. This arbitration shall be concluded within 2 months.

10. Change Management SBC/Ameritech agrees to work collaboratively with interested CLECs in a workshop (or, if necessary, a series thereof) held under the auspices of the FCC to reach agreement on a uniform change management process for implementation in the 13-state service area where it operates as an incumbent LEC. The workshop participants shall use the Pacific Bell Competitive Local Exchange Carrier (CLEC) Interface Change Management Process (dated 4/28/99) (the "California Plan") as the baseline document from which additional and modifying provisions will be negotiated covering a number of areas, including, but not

limited to: (1) SBC/Ameritech's obligation to keep multiple version of its interfaces available to CLECs ("versioning"); (2) voting procedures including (but not limited to) (a) voting eligibility and (b) the number of participants and votes needed to resolve outstanding issues; (3) testing issues, including but not limited to, the amount of time needed for testing of new releases and establishment of test exit criterion; and (4) the inapplicability of the California Plan's "regulatory mandated change exception" to the changes necessary to achieve uniformity. The workshop(s) shall be concluded within 1 month of the Merger Closing Date. The FCC staff participating in the workshop(s) shall submit a recommendation to the Commission regarding resolution of any disagreements over the appropriate elements to be added to or modified from the California Plan. Unless the Commission rejects the Staff's recommendation within two weeks, it will be deemed approved.

11. Flow Through No later than 30 days after the Merger Closing Date, SBC/Ameritech shall submit to a third-party audit of the level of electronic flow through and the incidence of manual intervention involved for orders placed through application-to-application interfaces, as compared to that existing for its own retail orders in each of the SBC/Ameritech States. The audit would include, for example, error detection and notification, back-end posting to databases, and service order coordination processes, examining their impact on functionality ranging from ordering to billing. The third party shall be selected by the Commission, and shall complete its audit before the Merger Closing Date. If the third party determines that SBC/Ameritech is not providing the same level of flow through for CLEC orders as is provided on its own retail orders, or that manual intervention is required where SBC/Ameritech asserts there is no retail analog, SBC/Ameritech shall agree to undertake the systems development work necessary to achieve a nondiscriminatory level of flow through within 60 days of the auditor's findings (the "compliance date"), with appropriate post-development certification of compliance by the third party. SBC/Ameritech shall pay \$10,000 a day in fines and penalties for failure to meet the compliance date.

12. Third Party Testing Prior to the Merger Closing Date, SBC/Ameritech agrees that, in at least one of each of the companies' pre-merger states, it will submit to a New York independent third-party OSS testing approach (the "New York testing approach") to demonstrating operability of all electronic interfaces and processes employed in the support of CLEC market entry. The independent auditor should be picked by, and responsible only to, the State Commission and should be paid for by the incumbent. This shall be the "minimum" standard for OSS testing; it may be supplemented by additional requirements imposed by the individual state Commissions. Although not a precondition to closing, SBC/Ameritech shall agree to submit to the New York testing approach in each of its other states within the combined SBC/Ameritech region within six months of the Merger Closing Date. To the extent that such testing takes place before SBC/Ameritech has implemented uniform interfaces within its region, the testing required to ensure successful implementation of the uniform interfaces will be at least as robust as the third party testing required under this section.

13. Direct Access to SORD SBC/Ameritech shall offer to develop in the SBC/Ameritech States, direct access to SBC's SORD systems and to Ameritech's and SNET's equivalent service order processing system for resold services, UNEs and UNE combinations. SBC/Ameritech, before the Merger Closing Date, shall provide written notice of the specific

systems, by operating region, that SBC/Ameritech will make available for direct access and the committed date by which such access will be provided, including comprehensive user training for interested CLECs. Upon submission of this documentation, this Commission will seek comments from interested CLECs and make a binding determination regarding whether or not the proposal of SBC/Ameritech fulfills the intent of this provision. The only charges associated with any development necessary to provide such access that will be passed on to CLECs are those reasonable costs associated with delivering user training classes.

14. EBI Development SBC/Ameritech shall develop and deploy in the SBC/Ameritech States any enhancements to the existing EBI interface for OSS that may be necessary to support maintenance/repair of resold services, UNEs and UNE combinations in a manner consistent with the functionality available to its retail operations.

15. No Sunset The OSS conditions contained in this section shall not be subject to the sunset provisions contained in paragraph 68 of SBC/Ameritech's proposed conditions.

IV. OSS: Waiver of Charges

17. On a going forward basis and for a period of three years following the Merger Closing Date, SBC/Ameritech shall not seek to recover from its wholesale customers the costs of developing or providing OSS, including (but not limited to) the costs incurred to comply with Condition III or any other OSS-obligation to which SBC/Ameritech are subject under the Act or rule of the Commission or a state commission. SBC/Ameritech shall eliminate these charges, in all states where they are applied, beginning with the first billing cycle following the Merger Closing Date. So long as SBC/Ameritech have in place operationally ready, nondiscriminatory OSS, this condition, however, does not affect SBC/Ameritech's right either to charge CLECs for processing orders which are not received electronically (i.e., orders received by mail, by fax, or by other non-electronic methods of transmitting orders).

18. Beginning three years after the Merger Closing Date, SBC/Ameritech may seek to recover on a nondiscriminatory basis (i.e., competitively neutral that spreads all costs among all carriers, including SBC/Ameritech on the basis of network usage) costs it incurs on a going forward basis to develop and provide OSS.

VI. xDSL and Advanced Services Deployment

19. SBC/Ameritech shall take the following steps to ensure that its deployment of xDSL services in the SBC/Ameritech States is not discriminatory:

a. SBC/Ameritech shall reasonably classify all SBC/Ameritech wire centers as either urban or rural wire centers for purposes of this Section.

b. SBC/Ameritech shall identify the 10 percent of urban wire centers in each SBC/Ameritech State that have the highest proportion of low-income subscribers, as estimated by using the latest available census data ("Low Income Urban Pool"). After SBC/Ameritech

deploys xDSL in at least 20 urban wire centers in a particular state, at least 10 percent of the urban wire centers in which SBC/Ameritech deploy xDSL in that State shall be wire centers from the Low Income Urban Pool.

c. SBC/Ameritech shall identify the 10 percent of rural wire centers in each SBC/Ameritech State that have the highest proportion of low-income subscribers, as estimated by using the latest available census data ("Low Income Rural Pool"). After SBC/Ameritech deploys xDSL in at least 20 rural wire centers in a particular state, at least 10 percent of the rural wire centers in which SBC/Ameritech deploys xDSL in that State shall be wire centers from the Low Income Rural Pool.

20. SBC/Ameritech shall provide unaffiliated CLECs with nondiscriminatory, electronic OSS access to the same loop pre-qualification information that is available to SBC/Ameritech's operations, including the operations that will be part of the separate Advanced Services affiliates described in Section VII. SBC/Ameritech shall provide this information as follows:

a. The following information, at a minimum, shall be provided on an individual address basis: (i) actual loop length, as measured from customer premises to serving central office, (ii) the presence and number of load coils, bridged taps, repeaters, and any other known interferers, (iii) whether the location is currently served by facilities that transit through a digital loop carrier (DLC), (iv) the availability of alternative facilities that could circumvent the DLC, including end-to-end copper loop, and (v) any known binder group that hinders the placement of any Advanced Services technology.

b. This information shall be available not later than the Merger Closing Date for at least 50 percent of all central offices in a state and for all central offices in a state not later than six months after the Merger Closing Date.

21. SBC/Ameritech shall offer CLECs in the SBC/Ameritech States uniform interim rates for conditioning xDSL loops when such conditioning is requested (unless there are existing established lower rates in the state available to all CLECs). The prices for such conditioning shall be subject to Condition X.

VII. Structural Separation for Advanced Services

22. SBC/Ameritech shall provide Advanced Services through one or more affiliate(s) in accordance with the provisions and schedule set forth below. As described below, Ameritech and SBC shall establish separate Advanced Services affiliates prior to the Merger Closing Date. Upon receiving state approval of interconnection agreements and obtaining any necessary state certification, SBC/Ameritech shall transition the provisioning of Advanced Services to one or more separate Advanced Services affiliate(s).

23. Advanced Services. For purposes of these Conditions, the term "Advanced Services" means telecommunications services having the capability of supporting, in both the provider-to-consumer (downstream) and the consumer-to-provider (upstream) directions, a speed

in excess of 200 kilobits per second. This definition of Advanced Services does not include data services that are not based on packetized technology, such as ISDN.

24. Section 272 Requirements for the Separate Advanced Services Affiliates. Subject to the transitional mechanisms discussed below, the separate Advanced Services affiliates required by this Section VII shall operate in accordance with the structural, transactional, and nondiscrimination requirements that would apply to a separate affiliate's relationships with a BOC under 47 U.S.C. § 272. Those obligations become effective upon SBC/Ameritech and their Advanced Services Affiliates immediately upon creation of any separate Advanced Services affiliate. In addition to those restrictions, the affiliate must operate under the following restrictions to the extent they may become more stringent than the requirements imposed by 47 U.S.C. § 272:

a. Any Advanced Services Affiliate of SBC/Ameritech shall have a meaningful quantum of outside ownership. At a minimum, a meaningful quantum of ownership shall mean that (i) at least twenty (20) percent of the Advanced Services Affiliate shall be owned by entities entirely separate from any incumbent LEC and (ii) the outside ownership must be represented on the board of directors of the Advanced Services Affiliate to include at least 20 percent of the membership of the board. The compensation of any director, officer, or employee of the Advanced Services Affiliate shall in no way be affected by the performance of SBC/Ameritech.

b. SBC/Ameritech may not transfer CPNI to any Advanced Services Affiliate unless it offers the CPNI to any competing carrier on a nondiscriminatory basis.

c. In addition to any disclosure of transactions between SBC/Ameritech and their Advanced Services Affiliates required by Section 272 (including any Commission Rule), SBC/Ameritech shall also (i) disclose all transactions that have occurred with any existing Advanced Services Affiliates before the effective date of this Condition; and (ii) for each transaction with its Advanced Services Affiliates, disclose, at a minimum, the rates, terms, conditions, and valuation methods employed so as to permit meaningful evaluation of the transaction by the Commission or by interested third parties.

d. The Advanced Services Affiliates of SBC/Ameritech shall not be permitted to resell any SBC/Ameritech services.

e. The Advanced Services Affiliates of SBC/Ameritech shall not be permitted to enter into any virtual collocation arrangement with SBC/Ameritech.

f. If any Advanced Services Affiliate purchases or uses any UNE from any SBC/Ameritech incumbent LEC, SBC/Ameritech must warrant that competing carriers can use the intellectual property associated with those UNEs on precisely the same terms and conditions as any Advanced Services Affiliate. This provision will not be satisfied by SBC/Ameritech providing that their Advanced Services Affiliates, like their competitors, will be required to obtain separate licenses for intellectual property from third-party vendors.

g. No SBC/Ameritech Advanced Services Affiliate may license or use any brand, service mark, or trademark belonging to SBC and/or Ameritech, or to any parent, affiliate or subsidiary of SBC or Ameritech, unless competing carriers are permitted to license or use such brands or marks on nondiscriminatory terms.

h. Any SBC/Ameritech Advanced Services Affiliates that market or provide local exchange or exchange access services that utilize unbundled elements from SBC and/or Ameritech must conduct all interactions with SBC and Ameritech concerning pre-ordering, ordering, provisioning, maintenance/repair and billing using the same OSS interfaces that are available to competing carriers.

i. SBC/Ameritech Advanced Services Affiliates operating within a state shall be subject to the same equal access and nondiscrimination requirements that would apply pursuant to 47 U.S.C. § 251(g) to an SBC or Ameritech incumbent LEC operating within that state.

j. Employees of the separate Advanced Services affiliate(s) may be located within the same buildings and on the same floors as employees of the incumbent LECs.

25. SBC/Ameritech shall not be permitted to transfer any equipment to their Advanced Services Affiliates (including and advanced services equipment) except in compliance with the requirements of 47 U.S.C. § 272(c). In addition, any transfer by SBC/Ameritech to any SBC/Ameritech Advanced Services Affiliate of any facilities or equipment deemed to be an unbundled network element under 47 C.F.R. § 51.319 (as in effect on January 24, 1999) shall cause that Affiliate to be deemed a "Bell Operating Company" pursuant to 47 U.S.C. § 153(4), as well as an "incumbent local exchange carrier" pursuant to 47 U.S.C. § 251(h).

26. Requests for State Approval. In any state where SBC/Ameritech will be providing Advanced Services on the Merger Closing Date, the separate Advanced Services affiliate(s) shall, prior to the Merger Closing Date:

a. File for approval pursuant to 47 U.S.C. §§ 251 and 252 an interconnection agreement with the affiliated incumbent LEC setting forth terms, conditions and prices for the provision of interconnection, telecommunications services, and network elements that the affiliated incumbent LEC shall provide to the separate Advanced Services affiliate for the purposes of the separate affiliate's provision of Advanced Services. Such an interconnection arrangement must be sufficiently detailed to permit CLECs to exercise effectively their statutory rights to "pick and choose" provisions of the agreement pursuant to the Act, 47 U.S.C. § 252(i) and the Commission's Rules, 47 C.F.R. § 51.809.

b. File for any required State certifications or approvals necessary for the separate affiliate to provide Advanced Services.

27. Schedule for Establishing Separate Advanced Services Affiliates. SBC/Ameritech will establish the separate Advanced Services affiliates required by this Section VII in accordance with the following schedule:

a. Except as provided in paragraph 27.c, below, before any Advanced Services Affiliate may begin offering Advanced Services, SBC/Ameritech and the Advanced Services Affiliate must obtain certification from the Commission that they have complied with this Condition and all other applicable Commission Rules. To obtain such certification, SBC/Ameritech and any Advanced Services Affiliate must publicly file verifiable documentation as to each requirement. Any interested party may submit comments on whether SBC/Ameritech have demonstrated such compliance.

b. In any state where an SBC/Ameritech incumbent LEC will provide Advanced Services on the Merger Closing Date, SBC/Ameritech shall establish prior to the Merger Closing Date a separate Advance Services affiliate.

c. In any state where SBC/Ameritech provided Advanced Services through a separate Advanced Services affiliate on July 1, 1999, such affiliate shall be in compliance with this Condition prior to the Merger Closing Date. Prior to the Merger Closing Date, SBC/Ameritech shall obtain the certification described in Paragraph 27.a for any Advanced Services Affiliate providing Advanced Services as of July 1, 1999.

d. In any state where SBC/Ameritech does not provide Advanced Services on the Merger Closing Date, SBC/Ameritech shall incorporate and establish a separate Advanced Services affiliate to provide Advanced Services prior to providing Advanced Services in that State.

e. Notwithstanding the provisions of sub-paragraphs a, b, and c, above, SBC/Ameritech may provide Advanced Services through an SBC/Ameritech incumbent LEC in any State until SBC/Ameritech has obtained all necessary State approvals to provide Advanced Services through the separate Advanced Services affiliate in that State.

28. Providing Advanced Services through the Separate Advanced Services Affiliate. SBC/Ameritech shall phase-in the provision of Advanced Services through its separate Advanced Services affiliate(s), as follows:

a. Ameritech States. In the Ameritech States, SBC/Ameritech shall provide Advanced Services through its separate Advanced Services affiliate(s) no later than the Merger Closing Date.

b. SBC States - New Activations for Customers that are Providers of Internet Services. In each SBC State, SBC/Ameritech shall provide new activations of Advanced Services to customers that are providers of Internet services through a separate Advanced Services affiliate no later than 30 days after state approval of all agreements with the affiliated incumbent LEC that are necessary to carry out the provisions of this Section VII, including any interconnection agreement(s). The terms of this sub-paragraph b are established in recognition of, and are expressly contingent upon, the fact that the FCC has determined that Advanced Services used to provide Internet services are interstate services.

c. SBC States - Incumbent LEC's Embedded Base of Customers That Are Providers of Internet Services. In each SBC State, any Advanced Services provided by SBC/Ameritech's incumbent LEC in that State to customers that are providers of Internet services shall be transferred to the separate Advanced Services affiliate no later than the later of: (i) 30 days after such state approval of all necessary agreements as discussed in sub-paragraph b, or (ii) 6 months after the Merger Closing Date. The terms of this sub-paragraph c are established in recognition of, and are expressly contingent upon, the fact that the FCC has determined that Advanced Services used to provide Internet services are interstate services.

d. SBC States - New Activations for Other Customers. In each SBC State, SBC/Ameritech shall provide new activations of Advanced Services to customers that are not providers of Internet services through a separate Advanced Services affiliate no later than 30 days after the later of: (i) state approval of all agreements with the affiliated incumbent LEC necessary to carry out the provisions of this Section VII, including any interconnection agreement(s), or (ii) state approval of any certification that the state deems required for the separate Advanced Services affiliate to provide Advanced Services in that state.

e. SBC States - Incumbent LEC's Embedded Base of Other Customers. In each SBC State, any Advanced Services provided by SBC/Ameritech's incumbent LEC in that State to customers that are not providers of Internet services shall be transferred to the separate Advanced Services affiliate no later than the later of: (i) 30 days after State approval of any necessary certification, (ii) 30 days after State approval of all necessary agreements, including any agreement to transfer customers from the incumbent LEC to the separate Advanced Services affiliate, or (iii) 6 months after the Merger Closing Date.

f. Transition Period. In each SBC State, until such time as SBC/Ameritech is required, pursuant to the provisions of sub-paragraphs b or d, above, to provision new activities of Advanced Services through the separate Advanced Services affiliate in that State, SBC/Ameritech shall be permitted to provision such services through SBC/Ameritech's incumbent LEC in that state in the following manner, which represents the "functional equivalent" of providing service through a separated Advanced Services affiliate:

(1) Either the incumbent LEC or the separate Advanced Services affiliate may joint market Advanced Services to customers in compliance with the requirements of 47 U.S.C. § 272(g);

(2) Customer orders for Advanced Services obtained by the incumbent LEC must be passed to the separate Advanced Services affiliate for processing by means of transferring telephone calls to the affiliate or transmitting facsimiles of written orders. The affiliate shall then be solely responsible for inputting such customer orders into the same pre-ordering, ordering, provisioning, maintenance/repair, and billing interfaces that SBC/Ameritech makes available to competing carriers; and

(3) Any Advanced Services orders received by the separate Advanced Services affiliate shall be processed using the same interfaces for pre-ordering, ordering,

provisioning, maintenance/repair, and billing that are available to competing carriers. Any Advanced Services shall then be provided by the SBC/Ameritech incumbent LEC.

29. With respect to any state certification required by this Section VII, an FCC Order specifically determining that state certification is not required for the separate Advanced Services affiliates, to provide certain interstate Advanced Services to certain types of customers shall apply in lieu of state certification for such interstate Advanced Services and such customers. In no event, however, shall such a determination limit SBC/Ameritech's obligations under Paragraph 27.a, above.

30. Provisioning Line Sharing. At such a time as: (a) it becomes technically feasible to provide line sharing as described in the further NPRM issued in CC Docket 98-147 (rel. March 31, 1999) and in a manner that permits multiple CLECs to have access to a high frequency channel riding over the same loop as an SBC/Ameritech incumbent LEC-provided voice grade service, and (b) the equipment to provide such line sharing becomes available, based on industry standards, at commercial volumes, SBC/Ameritech shall be required to offer to provide such line sharing to unaffiliated providers of Advanced Services on a phased-in basis beginning no later than 3 months and completing within 12 months after (a) and (b) listed above have occurred. Such line sharing capability will be provided by SBC/Ameritech's incumbent LEC in a state at rates and other terms and conditions as determined by the State Commission in accordance with the 1996 Telecommunications Act, and will be offered in a non-discriminatory manner to both the separate Advanced Services affiliate and unaffiliated providers.

31. Provisioning Interim Line Sharing to the Separate Advanced Services Affiliate. Notwithstanding the non-discrimination provision of Paragraph 24 above, an SBC/Ameritech incumbent LEC may provide interim line sharing to a separate Advanced Services affiliate on an exclusive basis in accordance with the following provisions:

a. The incumbent LEC may provide interim line sharing capability to the separate Advanced Services affiliate for the provision of Advanced Services activated prior to the time that line sharing can be provided per the provisions of Paragraph 30 above.

b. The incumbent LEC shall establish surrogate charges for the costs incurred in making available an unbundled local loop capable of providing Advanced Services within a specific, broadband spectral map in combination with voice grade services ("Surrogate Line Sharing Charges"). The Surrogate Line Sharing Charges shall be 50 percent of the lowest monthly recurring charge, and 100 percent of the lowest non-recurring charges (i.e. there is no discount for non-recurring charges), for the unbundled local loop then effective that have been established by the state commission pursuant to 47 U.S.C. § 252(d)(1). The incumbent LEC shall charge the separate Advanced Services affiliate these Surrogate Line Sharing Charges for its use of an unbundled local loop if: (1) the incumbent LEC is able to provision the Advanced Service of the separate Advanced Services affiliate over the same loop that the incumbent LEC is using to provide voice grade services on either a retail or wholesale basis, and (2) the Advanced Service fits within the spectral map as described in SBC/Ameritech technical publication TP-76730. In order to be entitled to the Surrogate Line Sharing Charges, however, the separate

Advance Services affiliate must certify to the incumbent LEC that it is not providing voice grade service in conjunction with Advanced Services over the broadband channel.

c. In any state where the incumbent LEC provides interim line sharing to a separate Advanced Services affiliate per the provisions of sub-paragraphs a and b above, the incumbent LEC shall charge unaffiliated providers of Advanced Services the same Surrogate Line Sharing Charges for use of an unbundled local loop, where: (i) the unaffiliated provider purchases the unbundled local loop to provide Advanced Services only and does not use the unbundled loop to provide any voice grade service; (ii) the unaffiliated provider's Advanced Services are provided to an end user customer to whom the incumbent LEC provides voice grade service on either a retail or wholesale basis, at the same premises; and (iii) the unaffiliated provider's Advanced Services are within a spectral map that would be compatible with the incumbent LEC's voice service, if line sharing were available, as described in SBC/Ameritech technical publication TP-76730.

d. Unaffiliated CLECs that obtain unbundled local loops for the Surrogate Line Sharing Charges shall, on a quarterly basis, certify to SBC/Ameritech and the appropriate state commission that they are using all unbundled local loops provided at the Surrogate Line Sharing Charges in accordance with sub-paragraph c above. SBC/Ameritech shall have the right to hire, at its own expense, an independent third-party auditor to perform all necessary audits and inspections needed to assure that unbundled local loops provided for the Surrogate Line Sharing Charges are used in accordance with sub-paragraph c above. Carriers that obtain unbundled local loops for the Surrogate Line Sharing Charges shall agree to cooperate in the performance of such audits and inspections. Audit information shall be restricted to SBC/Ameritech regulatory, legal, and/or wholesale personnel, and SBC/Ameritech shall prohibit those personnel from disclosing audit-related information to SBC/Ameritech retail/marketing personnel. If SBC/Ameritech conducts any audit of an unaffiliated carrier's use of unbundled local loops in a state, under this sub-paragraph d, SBC/Ameritech's annual compliance report for the calendar year in which the investigation was concluded shall describe the uses of shared loops by SBC/Ameritech's separate Advanced Services affiliate(s) in the same state.

e. Any carrier found by the Commission or the appropriate state commission to have violated the use restrictions of sub-paragraph c or who fails to cooperate in an audit shall be ineligible to receive the Surrogate Line Sharing Charges on any unbundled local loop for which the use restrictions are violated. In addition, any such carrier shall be ineligible to receive the Surrogate Line Sharing Charges for unbundled local loops ordered or installed after the date of such a finding by the Commission or a state commission.

32. Advanced Services OSS Discounts. Until SBC/Ameritech has developed and deployed OSS options for pre-ordering and ordering xDSL and other Advanced Services in satisfaction of Condition III, SBC/Ameritech's incumbent LECs shall provide a discount of 25 percent off of the recurring and nonrecurring charges (including of the Surrogate Line Sharing Charges, if applicable) that otherwise would be applicable for unbundled local loops used to provide Advanced Services in the same relevant geographic area. By way of example, if the Surrogate Line Sharing Charges are \$8.00/month, the charge would be discounted to

\$6.00/month in areas where this OSS discount is applicable.

33. The Performance Measures required by Section I of these Conditions shall be reported separately, on a proprietary basis, by each SBC/Ameritech incumbent LEC for each separate Advanced Services affiliate required by this Section VII.

34. For three years after the Merger Closing Date, the separate Advance Services affiliate provisions of this Section VII shall automatically apply to any other domestic incumbent LEC that merges with or is acquired by SBC/Ameritech.

35. Separate Advanced Services Affiliate Sunset Provisions. The requirements of this Section VII requiring SBC/Ameritech to provide Advanced Services through one or more separate affiliates, as described in this Section shall terminate in a state three years after the date SBC/Ameritech is authorized in the state to provide interLATA telecommunications services under section 271(d) of the Act or three years after the Merger Closing Date, whichever is later, unless the Commission extends such three year period by rule or order. SBC/Ameritech and its Advanced Services Affiliates shall continue to be bound by the requirements of § 272(e), as imposed by paragraph 24, above, despite the sunset of the other provisions of this Section VII or of these Conditions generally.

36. Upon the date that SBC/Ameritech determines, as a result of one or more of the provisions of Paragraph 35 above, to no longer provide Advanced Services through a separate affiliate in a particular state, then SBC/Ameritech shall be required to comply with the following provisions in that state until the date that is 4 years after the Merger Closing Date:

- a. The line sharing provisions of Paragraphs 30 and 31;
- b. The Advanced Services OSS discount provisions of Paragraph 32;
- c. The SBC/Ameritech retail operations within the incumbent LEC shall use the OSS made available pursuant to Condition III for processing at least eighty percent of Advanced Services orders;
- d. SBC/Ameritech retail operations within the incumbent LEC shall only use those OSS for the provisioning of Advanced Services that are available to non-affiliated CLECs; and
- e. The loop pre-qualification information provisions of Paragraphs 19, 20, and 21.

VIII. Shared Transport

37. No later than the Merger Closing Date, SBC/Ameritech shall provide shared transport (as defined in the Third Order on Reconsideration and Further Notice of Proposed Rulemaking, Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, 12 FCC Rcd 12460 (1997)) as an unbundled network element at usage sensitive (minutes of use) rates that are based on forward-looking, economic costs for use in providing telephone exchange and/or exchange access service. SBC/Ameritech shall provide such shared transport in conjunction with unbundled local switching, for traffic that is originated and terminated to a purchasing carrier's end user subscriber to be routed in the same manner as SBC/Ameritech's own traffic without the payment of interstate interexchange access charges. SBC/Ameritech shall develop OSS to order shared transport by the Merger Closing Date.

a. SBC/Ameritech shall not require use of dedicated transport or customized routing to complete all calls using local switching and shared transport. SBC/Ameritech shall withdraw with prejudice Ameritech's proposal for the Commission to establish a separate transit service rate to be charged in conjunction with shared transport (as described in Ameritech's March 25, 1999, ex parte filing in CC Docket No. 96-98).

b. Any interested party may request the Commission to institute a proceeding, pursuant to its Accelerated Docket, 47 C.F.R. § 1.730, to determine whether SBC/Ameritech is violating its obligation to provide shared transport. SBC/Ameritech shall support the use of such procedures. If SBC/Ameritech is found by the Commission to have violated its obligation to provide shared transport, SBC/Ameritech agree to pay \$100,000 per each business day for which it was in violation of its obligation. The penalty shall be paid to the Commission and, to the extent these penalties exceed any statutory limit on the Commission's authority to impose any such penalty or fine, SBC/Ameritech hereby waive their rights to contest the amount of such penalties.

IX. Offering of UNEs

38. SBC/Ameritech shall provide each of the UNEs defined in the Commission's Local Competition Order and Third Order on Reconsideration in each SBC/Ameritech State. All such UNEs shall be available both individually and combined, at rates determined using the Commission's TELRIC methodology, for use in providing any telecommunication service, including exchange service, exchange access service and interexchange service. This Section IX shall cease to be effective, with respect to a particular network element, at such time as the Commission or a court has issued a final order (including all rehearings and appeals) on remand from AT&T Corp. v. Iowa Utilities Board, 119 S. Ct. 721 (1999), ("UNE Remand Proceeding") regarding the availability of that element as an UNE. SBC/Ameritech shall have no obligation under this Section to unbundle any network element with respect to which a final Commission Order or binding and non-appealable judicial decision addresses whether unbundling should be required pursuant to 47 U.S.C. § 251, but does not require such unbundling.

39. SBC/Ameritech shall indemnify any CLEC against infringement claims by vendors based on the CLEC's use of Applicant's UNEs covered by this condition IX (including UNEs that must be made available pursuant to an order in the UNE Remand Proceeding)

individually or in combination, in the same way that SBC/Ameritech uses the underlying facilities

X. Compliance with Commission Pricing Rules

40. SBC/Ameritech shall comply with the Commission's pricing rules and shall price all network elements, whether provided individually or in combination, at rates determined using the Commission's TELRIC pricing methodology adopted in the First Report and Order in CC Docket No. 96-68.

41. Any interested party shall be permitted to request the Commission to resolve disputes about SBC/Ameritech's compliance with the Commission's Rules on pricing or with this Condition. If a party requests the Commission to decide such a dispute under its Accelerated Docket, 47 C.F.R. § 1.730, SBC/Ameritech shall support the use of these expedited procedures to resolve any such disputes. Ameritech/SBC shall negotiate with CLECs new or amended interconnection agreements that reflect the Commission's resolution, for approval by state commissions in the first instance.

XI. Additional UNE and Resale Obligations

42. Promotional Resale Discounts. For the Offering Window period defined in Paragraph 444, SBC/Ameritech shall offer promotional resale discounts on telecommunications services that SBC/Ameritech provides at retail to subscribers who are not telecommunications carriers. The terms "telecommunications service" and "telecommunications carrier" shall have the same meaning as in 47 U.S.C § 251(c)(4).

a. SBC/Ameritech shall be under no obligation to provide a service for resale at a promotional resale discount unless the service is ordered after the Merger Closing Date and during the Offering Window with a requested installation date of no later than 30 days after the close of the Offering Window for the particular state. Resold services ordered or in service prior to the Offering Window, or placed in service more than 30 days after the end of the Offering Window, shall not be eligible for a promotional resale discount.

b. SBC/Ameritech shall be under no obligation to provide a service for resale at a promotional resale discount outside the Promotional Period. For the purposes of this subparagraph, the Promotional Period shall be a period of 3 years from the date a qualifying resold service is installed and operational.

c. The promotional resale discount rate for services resold to residential customers shall be 32 percent off of the retail rate until 2 years after commencement of the Offering Window period. Thereafter, the promotional resale discount rate for service resold to residential customers shall be 1.1 times the standard wholesale discount rate established for the service by the relevant state commission pursuant to 47 U.S.C. § 252(d)(3), (e.g., if the standard wholesale discount rate in a State is 20%, then the promotional resale discount rate would be 22%). Upon the termination of the initial 32% promotional resale discount rate, this discount

rate shall apply automatically to all services eligible for a promotional resale discount, including those services that initially were provided under the 32 percent promotional resale discount.

43. Promotional End-to-End UNE Combinations. For the Offering Window period defined in Paragraph 44, SBC/Ameritech shall offer promotional, end-to-end combinations of UNEs (the "promotional UNE platform"). The promotional UNE platform is a combination of all network elements available by FCC Rule 51.319, as in effect on January 24, 1999. SBC/Ameritech shall be obligated to provide the promotional UNE platform under the terms stated herein regardless of any order issued in the Commission's UNE Remand Proceeding.

a. SBC/Ameritech shall be under no obligation to provide the promotional UNE platform unless the promotional UNE platform is ordered after the Merger Closing Date and during the Offering Window with a requested installation date of no later than 30 days after the close of the Offering Window. SBC/Ameritech shall not be obligated under the terms of those conditions to provide UNE platforms that are ordered before or after the Offering Window.

b. SBC/Ameritech shall be under no obligation to provide the promotional UNE platform outside the Promotional Period. For the purposes of this sub-paragraph, the Promotional Period shall be a period of 3 years from the date a promotional UNE platform is installed and operational.

44. The Offering Window for both the Promotional Resale Discounts and the Promotional End-to-End UNE Combinations in each state shall begin 30 days after the Merger Closing Date and end for that State 3 years after commencement of the Offering Window period.

APPENDIX A
PROPOSED CONDITIONS TO FCC ORDER APPROVING
SBC/AMERITECH MERGER

As a condition of exercising the grant authorized herein, SBC and Ameritech shall comply with the following enumerated Conditions. For the purposes of these Conditions, the term "Merger Closing Date" means the day on which, pursuant to their Merger Agreement, SBC and Ameritech cause a Certificate of Merger to be executed, acknowledged, and filed with the Secretary of State of Delaware as provided in Section 251 of the Delaware General Corporation Law, as amended. The conditions described herein shall be null and void if SBC and Ameritech do not merge and there is no Merger Closing Date.

I. ~~Federal Performance Parity Plan~~

~~1. Throughout the 13 State service area where its subsidiaries operate as incumbent local exchange carriers ("incumbent LECs"), SBC/Ameritech shall implement the Federal Performance Parity Plan ("the Plan") described herein in Attachment A. SBC/Ameritech affiliates shall not be eligible to receive payments from SBC/Ameritech under the Plan, nor shall any payments due such affiliates be used to calculate any caps associated with the Plan. Not later than 10 business days after the relevant deadlines under this Section I, SBC/Ameritech shall file with the Secretary of the Federal Communications Commission (the "Commission") notices regarding its satisfaction of the deadlines listed above. The requirements of this Section I and Attachment A shall terminate 45 months after the Merger Closing Date.~~

~~2. SBC/Ameritech shall implement the performance measures set forth in the Plan according to the following schedule.~~

~~a. Except as set forth below in this Paragraph 2(a), in Arkansas, California, Kansas, Missouri, Nevada, Oklahoma, and Texas (together with Connecticut, the "SBC States"), SBC/Ameritech shall implement performance measurements 1-2c, 3-5, 8-11, and 13-20, as shown on Attachment A-5, and provide 2 months of performance data on these measures by August 1, 1999. In these States, SBC/Ameritech shall implement performance measurements 2d, 6, 7, and 12, and provide 2 months of performance data on these measures, by November 1, 1999. Notwithstanding anything to the contrary in this paragraph 2(a), in California, SBC/Ameritech shall implement performance measurements 2, 13, and 17, and provide 2 months of performance data on these measures by November 1, 1999; and shall resolve minor differences in the business rules for performance measurements 1, 3a, 4c, 8, 9a, 16, and 20 by November 1, 1999, either by (i) changing the California business rules to be compliant with the Plan, or (ii) obtaining a waiver from the Chief of the Common Carrier Bureau permitting SBC/Ameritech to utilize the California business rules for these performance measurements in California. The obligation to pay liquidated damages to competitive local exchange carriers ("CLECs") and make voluntary payments to a public interest fund designated by the Commission, as set forth in the Plan, shall attach 9 months after the Merger Closing Date within the SBC States, except for Connecticut.~~

~~b. In Connecticut, SBC/Ameritech shall implement the performance measurements and provide 2 months of performance data no later than 12 months after the Merger Closing Date, and the obligation to pay liquidated damages to CLECs and make voluntary payments to a public interest fund designated by the Commission, as set forth in the Plan, shall attach 15 months after the Merger Closing Date.~~

~~c. In Illinois, Indiana, Michigan, Ohio, and Wisconsin (the "Ameritech States"), SBC/Ameritech shall implement performance measurements 2, 3, 8-11, 14, 15, 17, 19, and 20, as shown on Attachment A-5, and provide 2 months of performance data on these measures, no later than 3 months after the Merger Closing Date. In the Ameritech States, SBC/Ameritech shall implement performance measurements 1, 4-7, 12, 13, 16, and 18, and provide 2 months of performance data on these measures, no later than 5 months after the Merger Closing Date. In the Ameritech States, the obligation to pay liquidated damages to CLECs and make voluntary payments to a public interest fund designated by the Commission, as set forth in the Plan, shall attach 9 months after the Merger Closing Date.~~ **Performance Measurements and Enforcement**

1. SBC/Ameritech agree to comply with any order, rules or regulations issued in CC Docket No. 98-56 by the Federal Communications Commission ("the Commission"), and any orders, rules or regulations issued by the state commissions in its 13-State service area relating to performance of Operations Support Systems and Functions, including procedures for enforcement and penalties for violations. This condition shall cease to be effective if, when and only to the extent a court issues a final order (including all rehearings and appeals) modifying such Commission or state commission order.

2. At the request of any CLEC, SBC/Ameritech will negotiate amendments to any or all of the interconnection agreements in any or all of its states to reflect the terms of any orders, rules or regulations issued by any other state in SBC/Ameritech's 13-State service area.

II. Collocation Compliance Plan

3. In the 13-State service area where its subsidiaries operate as incumbent LECs ("the SBC/Ameritech States"), SBC/Ameritech shall provide collocation consistent with governing Commission rules, including the Commission's First Report and Order in CC Docket No. 98-147, FCC No. 99-48 (released March 31, 1999) ("Collocation and Advanced Services Order").

4. Prior to the Merger Closing Date, SBC and Ameritech shall, in each of the SBC/Ameritech States, have filed a collocation tariff and/or offered amendments containing standard terms and conditions for collocation, for inclusion in interconnection agreements under 47 U.S.C. § 252. Such tariffs and/or amendments shall contain all terms and conditions necessary to bring SBC/Ameritech's provision of collocation into compliance with the Commission's governing rules.

5. Prior to the Merger Closing Date, ~~Ameritech and SBC shall retain one or more independent auditors to perform an examination engagement and issue an attestation report resulting in a positive opinion (with exceptions noted) regarding the terms and conditions offered~~

~~in tariffs and~~ SBC/Ameritech shall obtain the approval of each state commission that the revised tariffs and/or amendments to interconnection agreements, ~~and the methods and procedures put in place by SBC and Ameritech to~~ agreements filed in the state pursuant to Paragraph 4 comply with the Commission's collocation rules, including the collocation requirements contained in the Collocation and Advanced Services Order. The attestation report shall be in substantially the form provided as Attachment B. Rules on collocation. Any interested party shall be permitted to request the Commission to resolve disputes about SBC/Ameritech's compliance with the Commission's Rules on collocation. If a party requests the Commission to decide such a dispute under its Accelerated Docket, 47 C.F.R. § 1.730, SBC/Ameritech shall support the use of these expedited procedures to resolve any such disputes. A Commission resolution ~~shall~~ of the dispute shall not be a precondition to the closing of the merger, but SBC/Ameritech agree to comply with such Commission resolution unless reversed by a final and nonappealable court order.

6. Prior to the Merger Closing Date, Ameritech and SBC shall propose an independent auditor to verify SBC/Ameritech's compliance with the Commission's collocation requirements for the first 8 months after the Merger Closing Date. The independent auditor shall be ~~acceptable to the Commission and shall~~ approved by the Commission, and may not have been ~~instrumental during the past two years in designing substantially all of the systems and processes under review in the audit, viewed as a whole.~~ SBC/Ameritech a former or current employee, officer, director, consultant or other agent or independent contractor of SBC/Ameritech. If SBC/Ameritech do not propose an acceptable auditor, the Commission shall select one. SBC/Ameritech shall engage the auditor within 15 days of the Commission's written acceptance or designation (if no acceptable auditor is proposed) of the proposed auditor. The independent auditor's report shall be prepared and submitted as follows:

a. ~~Not later than 2 months after~~ Prior to the Merger Closing Date, SBC/Ameritech shall submit preliminary audit requirements, including the proposed scope of the audit and the extent of compliance and substantive testing, to the Commission's Audit Staff ("Audit Staff"). ~~The preliminary audit requirements shall be~~ Staff") and for public comment. The Commission shall have authority to ~~afforded confidential treatment in accordance with the Commission's normal processes and procedures.~~ SBC/Ameritech shall consult with the Audit Staff regarding changes to ~~modify~~ the preliminary audit requirements, but Commission approval of the requirements or changes thereto shall not be required. ~~based on a review of the plan and the comments received by the public. After such review and after making modifications necessary for the public interest, the Commission shall issue a written order approving the preliminary audit requirements.~~

b. During the course of the audit, the independent auditor shall ~~inform~~ obtain the approval of the Audit Staff ~~of any revisions to the audit program, before modifying the audit program and shall~~ notify the Audit Staff of any meetings with SBC/Ameritech in which audit findings are discussed; and consult with the Common Carrier Bureau regarding any accounting or rule interpretations necessary to complete SBC/Ameritech. The Audit Staff shall be authorized to participate in any aspect of the audit. The independent auditor shall notify SBC/Ameritech of any consultation with the Common Carrier Bureau regarding accounting or rule interpretations. auditors shall not have authority to resolve or interpret the Commission's collocation Rules, and shall not issue an opinion on whether SBC/Ameritech have complied with those rules.

c. The independent auditor shall have access to books, records, and operations of SBC/Ameritech that are necessary to fulfill the audit requirements of this Section. The independent auditor shall notify SBC/Ameritech's compliance officer of any inability to obtain such access. The auditor ~~may~~ shall notify the Audit Staff if access is not timely provided after notification to the compliance officer.

~~d. The independent auditor may verify.~~ In verifying SBC/Ameritech's compliance with the Commission's collocation requirements ~~through requirements, the independent auditor shall initiate contacts with the Commission, state commissions, and/or SBC/Ameritech's wholesale customers, as deemed appropriate by the customers.~~ The independent auditor shall receive written comment and/or data from the Commission, state commissions, or SBC/Ameritech's wholesale customers regarding SBC/Ameritech's compliance with the Commission's Rules on cCollocation.

e. Not later than 10 months after the Merger Closing Date, the independent auditor shall submit its final audit report to the Commission's Audit Staff. A copy of the report shall be publicly filed with the Secretary of the Commission. Within 30 days after the audit is filed publicly, any interested party shall be permitted to comment upon any aspect of the audit, including its scope, procedures, findings, and remedies for any noncompliance. If the audit determines that SBC/Ameritech have failed to comply with the Commission's Rules on collocation, or if the Commission, after its own review of the audit and public comments on it, determines that SBC/Ameritech have failed to comply with the Commission's Rules on collocation, the Commission may invoke any enforcement mechanism and remedy permitted by law against SBC/Ameritech. Any party alleging harm as a result of SBC/Ameritech's failure to comply with the Commission's Rules on collocation may institute a proceeding under the Commission's Accelerated Docket, 47 C.F.R. § 1.730, and SBC/Ameritech shall support the use of such procedures.

f. The independent auditor's section of the audit report shall include a discussion of the scope of the work conducted; a detailed statement regarding SBC/Ameritech's compliance or non-compliance with the Commission's collocation rules; a detailed statement regarding the sufficiency of SBC/Ameritech's methods, procedures, and internal controls for compliance with the Commission's collocation rules; and a description of any limitations imposed on the auditor in the course of its review by SBC/Ameritech or other circumstances that might affect the auditor's opinion.

g. For 2 years following submission of the final audit report, the Commission shall have access to the working papers and supporting materials of the independent auditor at a location in Washington, D.C. that is selected by SBC/Ameritech and the independent auditor. ~~Copying of the working papers and auditor and approved by the Commission. supporting materials shall be limited.~~ Any copies made by the Commission or by interested parties shall be returned to SBC/Ameritech by the Commission. The Commission's review of the working papers and supporting materials shall be kept confidential pursuant to the Commission's rules and procedures. Any interested party may obtain copies of the workpapers and supporting materials under a protective order that the Commission determines is appropriate. The

supporting materials and workpapers may be relied upon by interested parties in any proceeding before the Commission.

7. The audit required by this Section shall be in lieu of any other audit of SBC/Ameritech's compliance with the Commission's collocation requirements during the first 12 months after the Merger Closing Date that otherwise would be required under the Commission's rules.

III. ~~OSS: Enhancements and Additional Interfaces~~

8. Within 12 months after the Merger Closing Date, SBC/Ameritech shall deploy uniform interfaces in the SBC/Ameritech States, unless SBC/Ameritech is requested to extend the schedule and a majority of the CLECs who participate in the collaborative described below agree to an extension. SBC/Ameritech understands that the term "uniform interfaces" encompasses uniform specifications, uniform business rules and uniform operation of the interface as viewed from the perspective of the interfacing CLEC.

9. Milestones applicable to the development and deployment of uniform application-to-application interfaces and graphical user interfaces are as follows:

a. Phase 1 - In advance of the Merger Closing Date, SBC/Ameritech shall complete a publicly available Plan of Record (which shall consist of an overall assessment of SBC's and Ameritech's existing OSS interfaces, business processes and rules, hardware capabilities, data capabilities, and differences, and SBC's and Ameritech's plan for developing and deploying uniform application-to-application interfaces and graphical user interfaces for OSS) that shall be approved by this Commission.

b. Phase 2 - SBC/Ameritech shall work collaboratively with CLECs operating in the SBC/Ameritech States, in a series of workshops, to obtain written agreement on OSS interfaces, enhancements, and business requirements identified in the Plan of Record. Phase 2 shall be conducted under the auspices of the FCC and shall be completed in a total of 3 months unless a majority of the participating CLECs mutually agree to an extension of this phase. If the CLECs and SBC/Ameritech have not reached agreement after one month of collaborative sessions with FCC staff (unless there is a mutually agreeable extension), the parties shall prepare a list of the unresolved issues in dispute and submit the remaining unresolved issues in dispute to consolidated binding arbitration. The parties must submit the unresolved issues to binding arbitration no later than one week after the conclusion of the collaborative sessions (unless there is a mutually agreeable extension). Any such consolidated binding arbitration shall be conducted before an independent third party arbitrator in consultation with subject matter experts selected from a list of three firms supplied by SBC/Ameritech and three firms supplied by the CLECs. This arbitration shall be concluded within 7 weeks of submission of the unresolved issues (unless there is a mutually agreeable extension).

c. Phase 3 - SBC/Ameritech shall develop and deploy, on a phased-in approach, the system interfaces, enhancements and business requirements consistent with the written agreement obtained in Phase 2. The date for completion of Phase 3 is 12 months after

completion of Phase 2, unless a majority of the CLECs participating in Phase 2 agree to an extension. The completion date shall begin to run after the completion of the written agreement in Phase 2, or the effective date of a final decision by the arbitrator in Phase 2, whichever is later. SBC/Ameritech shall pay \$100,000 per day in fines and penalties for failure to meet the target date. If one or more CLECs contend that SBC/Ameritech has not developed and deployed the system interfaces, enhancements, and business requirements consistent with the written agreement obtained in Phase 2, or has not complied with the arbitrator's decision received in Phase 2, they may submit the contested issues to binding arbitration. Any such consolidated binding arbitration shall be conducted before an independent third party arbitrator in consultation with subject matter experts selected from a list of three firms supplied by SBC/Ameritech and three firms supplied by the CLECs. This arbitration shall be concluded within 2 months.

10. Change Management SBC/Ameritech agrees to work collaboratively with interested CLECs in a workshop (or, if necessary, a series thereof) held under the auspices of the FCC to reach agreement on a uniform change management process for implementation in the 13-state service area where it operates as an incumbent LEC. The workshop participants shall use the Pacific Bell Competitive Local Exchange Carrier (CLEC) Interface Change Management Process (dated 4/28/99) (the "California Plan") as the baseline document from which additional and modifying provisions will be negotiated covering a number of areas, including, but not limited to: (1) SBC/Ameritech's obligation to keep multiple version of its interfaces available to CLECs ("versioning"); (2) voting procedures including (but not limited to) (a) voting eligibility and (b) the number of participants and votes needed to resolve outstanding issues; (3) testing issues, including but not limited to, the amount of time needed for testing of new releases and establishment of test exit criterion; and (4) the inapplicability of the California Plan's "regulatory mandated change exception" to the changes necessary to achieve uniformity. The workshop(s) shall be concluded within 1 month of the Merger Closing Date. The FCC staff participating in the workshop(s) shall submit a recommendation to the Commission regarding resolution of any disagreements over the appropriate elements to be added to or modified from the California Plan. Unless the Commission rejects the Staff's recommendation within two weeks, it will be deemed approved.

11. Flow Through No later than 30 days after the Merger Closing Date, SBC/Ameritech shall submit to a third-party audit of the level of electronic flow through and the incidence of manual intervention involved for orders placed through application-to-application interfaces, as compared to that existing for its own retail orders in each of the SBC/Ameritech States. The audit would include, for example, error detection and notification, back-end posting to databases, and service order coordination processes, examining their impact on functionality ranging from ordering to billing. The third party shall be selected by the Commission, and shall complete its audit before the Merger Closing Date. If the third party determines that SBC/Ameritech is not providing the same level of flow through for CLEC orders as is provided on its own retail orders, or that manual intervention is required where SBC/Ameritech asserts there is no retail analog, SBC/Ameritech shall agree to undertake the systems development work necessary to achieve a nondiscriminatory level of flow through within 60 days of the auditor's findings (the "compliance date"), with appropriate post-development certification of compliance by the third party. SBC/Ameritech shall pay \$10,000 a day in fines and penalties for failure to meet the compliance date.

12. Third Party Testing Prior to the Merger Closing Date, SBC/Ameritech agrees that, in at least one of each of the companies' pre-merger states, it will submit to a New York independent third-party OSS testing approach (the "New York testing approach") to demonstrating operability of all electronic interfaces and processes employed in the support of CLEC market entry. The independent auditor should be picked by, and responsible only to, the State Commission and should be paid for by the incumbent. This shall be the "minimum" standard for OSS testing; it may be supplemented by additional requirements imposed by the individual state Commissions. Although not a precondition to closing, SBC/Ameritech shall agree to submit to the New York testing approach in each of its other states within the combined SBC/Ameritech region within six months of the Merger Closing Date. To the extent that such testing takes place before SBC/Ameritech has implemented uniform interfaces within its region, the testing required to ensure successful implementation of the uniform interfaces will be at least as robust as the third party testing required under this section.

13. Direct Access to SORD SBC/Ameritech shall offer to develop in the SBC/Ameritech States, direct access to SBC's SORD systems and to Ameritech's and SNET's equivalent service order processing system for resold services, UNEs and UNE combinations. SBC/Ameritech, before the Merger Closing Date, shall provide written notice of the specific systems, by operating region, that SBC/Ameritech will make available for direct access and the committed date by which such access will be provided, including comprehensive user training for interested CLECs. Upon submission of this documentation, this Commission will seek comments from interested CLECs and make a binding determination regarding whether or not the proposal of SBC/Ameritech fulfills the intent of this provision. The only charges associated with any development necessary to provide such access that will be passed on to CLECs are those reasonable costs associated with delivering user training classes.

14. EBI Development SBC/Ameritech shall develop and deploy in the SBC/Ameritech States any enhancements to the existing EBI interface for OSS that may be necessary to support maintenance/repair of resold services, UNEs and UNE combinations in a manner consistent with the functionality available to its retail operations.

15. No Sunset The OSS conditions contained in this section shall not be subject to the sunset provisions contained in paragraph 68 of SBC/Ameritech's proposed conditions.

~~8. No later than the Merger Closing Date, SBC/Ameritech shall provide the Commission an Operations Support Systems ("OSS") Process Improvement Plan identifying and assessing SBC's and Ameritech's existing OSS and generally identifying the OSS changes that are needed to implement SBC/Ameritech's OSS commitments identified in this Section.~~

~~9. Within 24 months after the Merger Closing Date (assuming the duration of Phase 2 described below is no longer than 1 month), SBC/Ameritech shall develop and deploy in the SBC/Ameritech States, except for Connecticut, commercially ready, uniform application-to-application interfaces using standards and guidelines as defined, adopted, and periodically updated by the Alliance For Telecommunications Industry Solutions ("ATIS") for OSS, (e.g., Electronic Data Interchange ("EDI") and Electronic Bonding Interface ("EBI") that support the~~